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DIRECTORATE OF  
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SOUTH VIETNAM - CAMBODIA: President Thieu has ordered Military Region 3 commander Do Cao Tri not to move his forces any deeper into Cambodia at this time.

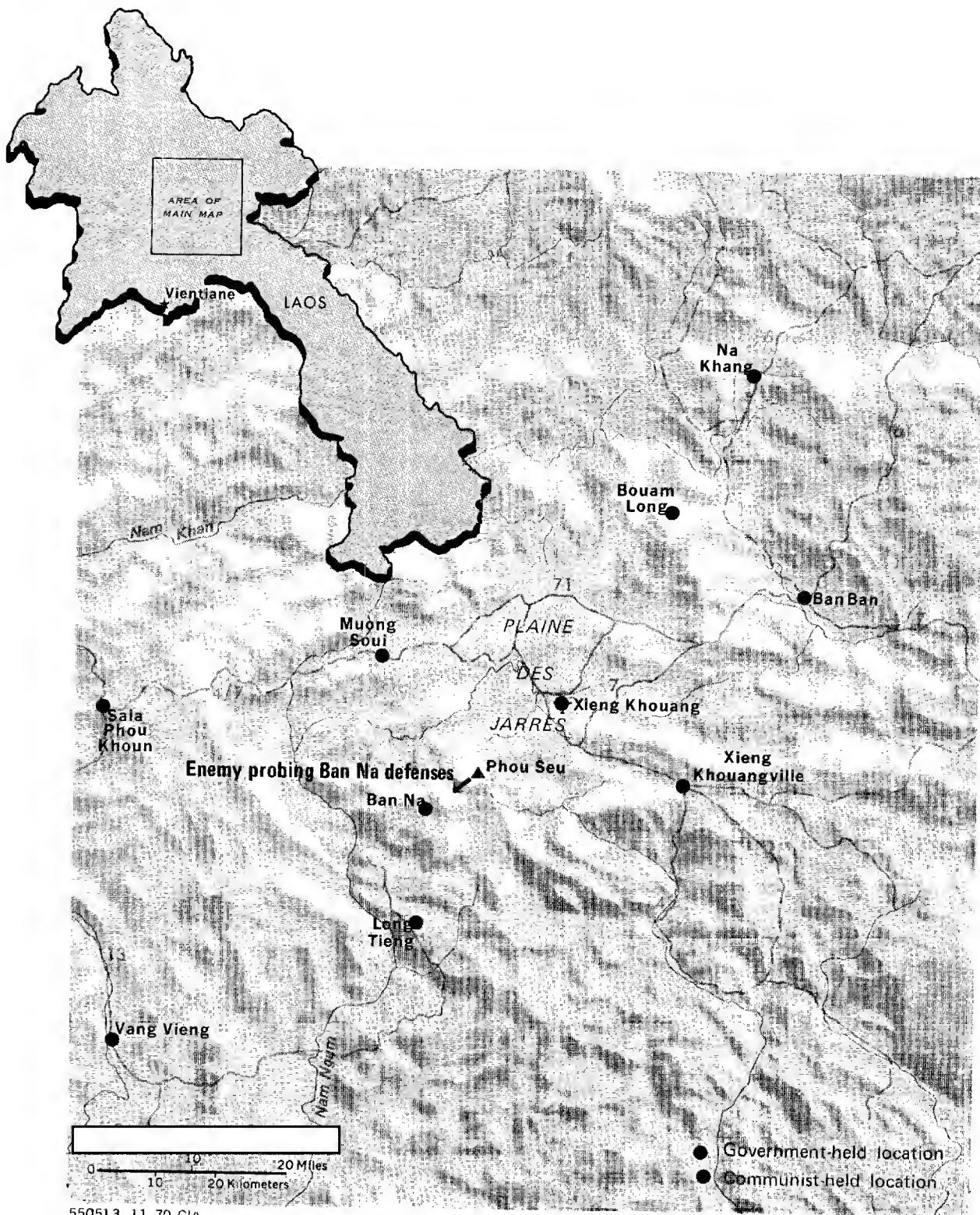
Thieu's decision was apparently precipitated by General Tri's request for permission to go to the aid of the Cambodian troops near Kompong Cham city. Tri says that the Cambodians pulled out their artillery from the area to support operations farther to the west, thereby seriously weakening the town's defenses. He had wanted to keep South Vietnamese troops and artillery units within easy reach of Kompong Cham in the event of a Communist attempt to seize the town.

Thieu's reported rejection of Tri's plan may result in a general restriction of South Vietnamese ground forces to the area of eastern Cambodia generally east of the Mekong River. The President apparently is concerned that some of Tri's ambitious plans for Cambodian operations during the dry season could overextend South Vietnamese forces. One observer recently commented that General Tri would chase the Communists westward as far as Thailand if planning were left up to him.

The South Vietnamese Joint General Staff (JGS) has reportedly not authorized larger military operations into Cambodia because it does not feel that South Vietnam is now threatened by a new North Vietnamese offensive from Cambodia. [redacted]

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LAOS: North Vietnamese forces are continuing to challenge government control of recently won positions west of the Plaine des Jarres.

In the Ban Na area, elements of the NVA 148th Regiment are active on a daily basis chipping away at government outposts and probing for weaknesses in the defensive perimeter. Since retaking Phou Seu mountain on 1 November, enemy forces have concentrated on other key terrain features to the west of Ban Na, employing artillery fire followed by company-sized ground attacks.

Farther north, neutralist units occupying Muong Soui have reported that Communist forces have become increasingly active in the past three days. On the basis of past performance, the neutralists are unlikely to contest seriously an enemy attack.

The Communist campaign west of the Plaine so far appears to be a step-by-step effort to reduce the government's presence in this region, rather than an all-out counteroffensive.

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JAPAN-OKINAWA: The mainland political parties are taking a strong interest in this Sunday's election of Okinawa's first postwar representatives to the Japanese Diet.

Top officials of the major parties have been actively campaigning throughout the island on behalf of their Okinawan affiliates. Japan's ruling conservative party, the Liberal Democratic Party, is standing on its record of attaining a favorable reversion agreement with the US. The opposition parties, however, are attempting to exploit suspicions among the islanders and are charging that a conservative win will pave the way for de facto perpetuation of US military dominance in Okinawa after reversion.

It appears that the majority of seats will be split fairly evenly between the conservatives and the "reformists," with the smaller Communist and Komeito parties possibly picking up one seat each, although a relatively large portion of the electorate was reported to be undecided.

The five delegates to the Lower House and two to the Upper House who are to be elected will have nonvoting status until Okinawan reversion to Japan in 1972. Presently, the leftist coalition on Okinawa holds the popularly elected post of chief executive, while the conservatives control the legislature. [redacted]

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JORDAN: Both the army and the fedayeen are complying by and large with the truce terms so far, despite Yasir Arafat's public prediction that another round of fighting will erupt soon in Jordan.

The fedayeen leader told the delegates of the Afro-Asian People's Solidarity Organization in Libya on 11 November that he expects renewed fighting to break out soon between the Palestinian organizations and the Jordanian Army. He said that the US was helping the "antirevolution" forces prepare for war by sending them military aid.

Arafat's remarks may have been tailored to reach the pocketbooks of his Libyan hosts. Other statements by Arafat and fedayeen actions in carrying out the cease-fire terms do not suggest an early resumption of fighting. Press reports quote fedayeen as stating that they would be out of Jarash by today and the army said it could be out of Zarqa within a week; these two urban areas, both north of Amman, are reported to be the only ones where both fedayeen and army units are still present. The Arab truce commission chief continues to be optimistic, saying that Jordan remains quiet with the situation returning to normal.

Arafat himself, moreover, said in a recent interview with the French newspaper Le Monde that the Palestinians were "perfectly satisfied" with the truce agreement because it ended the bloodshed, defined clearly the fedayeen basis of cooperation with the government, and was concluded under the aegis of "the Arab nation, which thus guarantees the agreement." [redacted]

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EGYPT: President Sadat has taken another step toward consolidating his authority.

Sadat's confirmation as chairman of the Arab Socialist Union (ASU), Egypt's only legal political organization, places another lever of power in his hands. Although the ASU has never reflected the will of the people as Nasir claimed it would nor gained any significant degree of popular support, it does have some influence. Nasir previously held the position of ASU chairman, and Sadat's appointment further legitimizes his role as Egypt's leader.

It is not clear, however, what Sadat's sources of strength are, nor exactly how strong he is. He no doubt continues to rely on other leading political figures for support, but has appeared to play an increasingly dominant role in the decision-making process.

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In his first major policy speech last night, Sadat broke no new ground but concentrated on reviewing alleged US duplicity in the Middle East. Among other claims, he reiterated Cairo's charge that the US had falsely accused Egypt of violating the cease-fire and alleged that Washington had sabotaged its own peace initiative by supplying large quantities of arms to Israel. Sadat invoked the memory of Nasir several times in what appeared to be assurances to his people that he was carrying on the policies of Egypt's departed leader.

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CHILE: Salvador Allende fulfilled one of his most frequent campaign promises when his government recognized Cuba on 12 November.

Details of the resumption of relations after a seven-year break were worked out with Cuban cabinet minister Carlos Rafael Rodriguez, who headed the large delegation that Fidel Castro sent to represent him at Allende's inauguration on 3 November.

Allende's move will be popular in Chile, where a wide spectrum of political and business groups has long favored it. Trade between the two countries was resumed this year by the former Christian Democratic government, which frequently criticized as outdated the OAS attitude toward Cuba, citing with approval Mexico's continuing relations with Havana.

\* \* \* \*

Business activity, while still below normal, has begun to recover from its postelection setback. Wholesale and retail sales are up, the stock market has improved, and pressure on bank deposits is easing somewhat. Foreign exchange reserves, however, fell in October from \$390 million to \$345 million, largely because of declining copper prices and capital flight. Many businessmen apparently are accepting the fact that Chile will be moving toward statism at a faster pace, but they regard the administration's initial statements as a sign that radical changes are not imminent. [redacted]

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[redacted]

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NATO: Attempts to produce a comprehensive European burden-sharing plan continue to be handicapped by the prospect that the British will not make a contribution.

The European defense ministers (Eurogroup) meeting in Brussels on Tuesday achieved a consensus on a three-pronged approach to burden-sharing. The plan would feature creation of a European fund to finance qualitative improvements in NATO facilities and systems, national measures to improve NATO-committed forces, and "other financial measures"; the latter would include a possible increase in West German military aid to Turkey. The plan now seems unlikely to entail any direct budgetary support to the US and would be based on the "expectation" that the US will attempt to maintain current force levels in Europe.

The West Germans and Italians suggested that the Europeans should invest approximately \$500 million in the fund over a five-year period. The Germans reiterated their willingness to finance up to 40 percent of this. Most of the other Allied governments indicated that they are seriously considering participation in the fund, as well as improvements in their national forces. But British Defense Minister Lord Carrington adamantly insisted that the UK effort could not go beyond the small increase in NATO force commitments recently announced by London.

A German Foreign Office official has warned that if the British remain negative, Norway, Denmark, and the Netherlands would probably withdraw their support for the fund. This would make it virtually impossible for the Eurogroup to produce a common scheme for the NATO ministerial meeting in early December. West German Defense Minister Schmidt reportedly will visit London next week to try to get the British to change their position. [redacted]

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USSR-ETHIOPIA: Moscow apparently has rejected Ethiopia's proposals for financing the expansion of the Soviet-built refinery at Assab.

Addis Ababa wants to double the present production capacity of 500,000 tons annually. Although the Soviets reportedly said they hoped to receive the expansion contract, they refused to lower their bid, which is several million dollars higher than Western estimates. They also would not ease their original repayment terms.

Emperor Haile Selassie is said to be favoring the Soviets, presumably because about \$84 million of a Soviet aid credit extended in 1959 remains unused. He also is annoyed because he felt he had influenced Soviet officialdom to be receptive to Ethiopia's proposals during his trip to Moscow last May.

The Emperor may have discussed the refinery expansion with Italian officials during his recent visit in Rome. An Italian bid made earlier reportedly is about half the amount of the Soviet proposal.

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LIBERIA: There are a number of reports that 75-year-old President Tubman will not seek a seventh term next May.

The latest report, from a US Embassy source in Monrovia, states that the belief is now widespread that Tubman will not run, but instead will nominate his vice president, William Tolbert. Ill health is given as the reason for the decision by Tubman to step down. He was unable to deliver his message at memorial services for Nasir on 8 November, and he has canceled several other recent activities because of illness. Close acquaintances have remarked about his frequent lapses of memory.

In previous election years, Tubman has played coy by hinting at retirement, only to accede finally to the "people's will." This time, however, his advanced age and the frequency of reports about failing health make this possibility more credible. There is also evidence of increasing political maneuvering among high-level officials.

Tolbert seems to be Tubman's most likely successor at this point. Tolbert is ambitious and belongs to one of Liberia's most powerful families. Although Tolbert has many enemies within the ruling oligarchy and there are other ingredients of political instability, he probably would be able to maintain order in any transitional period.

Tubman could announce his intentions during his birthday celebrations late this month. [redacted]

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NIGERIA: In the four-year development plan unveiled this week, the government strongly asserts its determination to control the economy.

While the plan promises to avoid "indiscriminate nationalization," preliminary reports make it clear that the government intends to oblige foreign-owned companies to comply with Nigerian timetables concerning ownership and the employment of Nigerians. This apparently boils down to eventual majority ownership or control of major industries, including the important foreign-owned oil industry that now produces more than 1.2 million barrels a day. A policy-making Petroleum Board and a National Oil Corporation are to be set up to enable the government to participate in oil exploration, production, refining, and local distribution.

Nigerian determination to eliminate foreign control over the economy is likely to make it more difficult for private foreign investors to deal with the government. The plan calls for over \$2 billion in private investment during the four-year period, but its stress on local control and ownership is likely to inhibit many foreign investors.

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BULGARIA-YUGOSLAVIA: The first round of politburo-level talks that Sofia hopes will lead to an eventual Tito-Zhivkov meeting centered on the Macedonian dispute ended on Tuesday in Bulgaria. Agreement was reached to continue the discussions at the preparatory level, but no date was set for the next round. Because of the sensitive nature of the issues involved, details of the exchange will not be made public. Bulgarian leader Zhivkov has wanted face-to-face talks with Tito for over a year, and he underlined his personal interest by receiving the Yugoslav delegation and meeting all of Tito's stringent preconditions for the impending summit session.

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board on 12 November 1970 approved the following national intelligence estimates:

NIE 13-7-70	"Communist China's International Posture"	[redacted]	25X1
NIE 24-70	"Prospects for Italy"	[redacted]	25X1

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